

Message Text

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AMCONSUL FRANKFURT

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SUBJECT: OFFSET

FOLLOWING IS TEXT FROM EDITORIAL "OFF THE OFFSET ERA" OF
NEW YORK TIMES DATED JULY 24, 1976. BEGIN TEXT.

FOR ALMOST TWO DECADES, NO PROBLEM IN BONN-WASHINGTON
RELATIONS HAS BEEN MORE PERSISTENT OR CORROSIVE THAN THE
SERIES OF PROLONGED BIENNIAL NEGOTIATIONS FOR PAYMENTS
BY WEST GERMANY TO OFFSET THE EXPENDITURES OF THE
200,000 AMERICAN TROOPS STATIONED THERE.

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CONGRESSIONAL CONCERN OVER THE GROWING DEFICIT IN THE AMERICAN BALANCE OF PAYMENTS STARTED IN THE LATE 1950'S, FUELING THE SUCCESSION OF MOTIONS BY SENATOR MANSFIELD THAT DEMANDED WITHDRAWAL OF AS MANY AS HALF THE 300,000 AMERICAN TROOPS IN EUROPE. ONLY THREE YEARS AGO, THE JACKSON-NUNN AMENDMENT PROVIDED THAT THE COST OF AMERICAN TROOPS ABROAD HAD TO BE ENTIRELY OFFSET BY THEIR HOST COUNTRIES, A PROVISION THAT APPLIED TO ALL THE NATO ALLIES. WEST GERMAN CHANCELLOR HELMUT SCHMIDT, THEN FINANCE MINISTER, CALLED IT "BLACKMAIL," BUT FINALLY ACCEPTED ANOTHER TWO-YEAR \$2.2 BILLION OFFSET AGREEMENT.

AS A RESULT, THERE WAS GENERAL DISBELIEF WHEN MR. SCHMIDT, ON THE EXPIRATION OF THIS ACCORD IN JUNE 1975, LET IT BE KNOWN THAT HE HAD NEGOTIATED HIS LAST SUCH AGREEMENT. PRESIDENT FORD'S QUIET ACCEPTANCE OF THIS DECISION, HAS NOW BROUGHT AN ERA TO A CLOSE--WITH ASTONISHINGLY LITTLE CONGRESSIONAL COMMENT.

POLITICALLY AND PSYCHOLOGICALLY, THE OFFSET AGREEMENTS WERE ALWAYS UNFORTUNATE, EVEN WHEN A NECESSITY FINANCIALLY. TO GERMANS, THEY RESEMBLED THE OCCUPATION COSTS PAID IMMEDIATELY AFTER THE WAR AND THEY REPRESENTED AN ONEROUS TAX AND BUDGET BURDEN. AMERICAN THREATS TO WITHDRAW TROOPS IF OFFSET PAYMENTS WERE REDUCED MADE IT APPEAR THAT THE TROOPS WERE THERE ENTIRELY TO SERVE GERMAN INTERESTS, RATHER THAN AS PART OF A COMMON NATO DEFENSE THAT PROTECTS AMERICAN SECURITY.

YET THERE WAS NO REASON WHY THE PRESENCE OF AMERICAN TROOPS IN THE COMMON INTEREST SHOULD HAVE BENEFITED THE FOREIGN EXCHANGE RESERVES OF A WEST GERMANY IN SURPLUS AT THE EXPENSE OF A UNITED STATES WITH A BALANCE-OF-PAYMENTS DEFICIT AND SHRINKING RESERVES.

THERE WAS NO GOOD SOLUTION TO THIS PROBLEM. BUT WHAT HAS HAPPENED NOW, WITHOUT MOST AMERICANS REALIZING

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IT, IS THAT THE PROBLEM HAS VIRTUALLY DISAPPEARED.

THE REFORM OF THE INTERNATIONAL MONETARY SYSTEM, INCLUDING ADOPTION OF FLOATING EXCHANGE RATES, HAS HALTED THE DRAIN ON THE AMERICAN GOLD RESERVES AND HELPED PUT THE AMERICAN BALANCE OF PAYMENTS INTO SURPLUS.

MOREOVER, THE BALANCE-OF-PAYMENTS COSTS OF THE AMERICAN

TROOPS IN GERMANY, AT \$1.1 BILLION A YEAR, NOW APPEARS SMALL COMPARED TO SUCH INTERNATIONAL CAPITAL FLOWS AS THE BILLIONS OF PETRODOLLARS COMING FROM THE OPEC COUNTRIES INTO AMERICAN BANKS. IT IS LITTLE MORE NOW THAN 1 PERCENT OF THE VALUE OF AMERICAN EXPORTS, WHICH HAVE MORE THAN QUINTUPLED SINCE THE OFFSET PROGRAM BEGAN, TO A STAGGERING TOTAL OF \$107 BILLION LAST YEAR. AS IT IS, GERMAN ARMS PURCHASES IN THE UNITED STATES TOGETHER WITH CONTRIBUTIONS TO AMERICAN BASE CONSTRUCTION OFFSET ALMOST HALF THE AMERICAN TROOP COSTS.

THE END OF THE OFFSET ERA UNDOUBTEDLY WILL BENEFIT THE POLITICAL FORTUNES OF CHANCELLOR SCHMIDT IN THE APPROACHING GERMAN ELECTIONS. BUT THE UNITED STATES MAY PROVE

THE GREATER BENEFICIARY IN THE END. THE TROOP COSTS AND BALANCE-OF-PAYMENTS DEFICITS OF THE PAST TWO DECADES HAVE CLOUDED THINKING IN THE UNITED STATES ABOUT THE TRUE SECURITY INTERESTS OF THE COUNTRY.

FROM A BUDGETARY POINT OF VIEW, IT COSTS NO MORE TO MAINTAIN AMERICAN FORCES IN EUROPE THAN IN THE UNITED STATES--AND MAY EVEN COST SOMEWHAT LESS. WHILE MUTUAL SOVIET-AMERICAN TROOP REDUCTIONS MUST STILL BE PURSUED, PRESSURES FOR UNILATERAL AMERICAN FORCE REDUCTIONS ARE LIKELY TO LESSEN NOW THAT SECURITY RATHER THAN FINANCES WILL BE THE DETERMINING FACTOR. END TEXT. KISSINGER

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